

Senate Commerce & Human Resources Committee

Thursday, February 01, 2024 - 1:30 P.M.

TESTIMONY ON: All Subjects

Written Testimony

Name (First & Last)	Subject	Manner Testifying	Representing Company/Organization	City	For / Against	Wish to Testify	District #
Tod Moore	S 1233	V	Auto Care Association	Nampa	Against	Y	12

Hello, my name is Tod Moore, and I am testifying against Senate Bill 1233 on behalf of the Auto Care Association. I appreciate the opportunity to appear before the Senate Commerce and Human Resources Committee.

The Auto Care Association is a national trade association comprised of more than 3000-member companies and affiliates. We are the voice of the auto care industry – a \$400 billion plus industry comprised of more than 4.5 million American professionals.

In Idaho specifically, our industry provides over 12,492 jobs, generates \$1.6 billion in economic activity, and provides \$679 million in wages. SB 1233 would have immediate, detrimental effects on this otherwise vibrant aftermarket ecosystem, not to mention the negative effect it will have on consumers.

Today, I want to make 4 main points.

- First, aftermarket parts are high quality and undergo rigorous testing to assure they meet third party certification standards. The overwhelming majority of vehicles are serviced by high quality aftermarket parts including safety systems such brake pads, light bulbs, TPMS sensors and wheel speed sensors. In many cases, Tier 1 suppliers who make OEM parts also provide identical products to the independent aftermarket.

- Second, aftermarket parts are often less expensive than OEM parts. For example, OEM patented front bumpers are being sold up to 213% higher than their aftermarket counterparts. Today, all consumers are struggling with increased costs. Transportation costs are the second highest expense for American households after housing; low-income consumers dedicate up to 16.5% of their income to transportation expenses. Senate Bill 1233 will increase repair and insurance costs on all consumers.

- Third, independent aftermarket parts are available. If aftermarket parts are removed from the ecosystem, this lack of aftermarket parts will exacerbate part supply shortages resulting in more expensive repairs, higher insurance premiums, increased total losses, and delayed repairs.

- Lastly, we should encourage competition in all markets, including automotive repair. Mandating the use of OEM parts on any vehicle will limit competition and therefore reduce choice and driving up prices.

Name (First & Last)	Subject	Manner Testifying	Representing Company/Organization	City	For / Against	Wish to Testify	District #
Tod Moore	<i>cont.</i>						12

Thank you again for the opportunity to speak before the committee today. I respectfully ask that you oppose Senate Bill 1233 and protect competition in the market.

Thank you,
Tod Moore

Catalina Jelkh Pareja	S 1233	IP	LKQ Corporation	Pocatello	Against	Y	28
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Dear Committee Chair Cook and Members of the Committee:

On behalf of LKQ Corporation, please receive written comments below opposing SB 1233, which is scheduled for a hearing before your Committee on Thursday, February 1st at 1:30 pm. LKQ is in opposition to SB 1233, a bill that restricts the use of non-Original Equipment Manufacturer (OEM) crash parts, including aftermarket, recycled, remanufactured, refurbished and specialty auto parts. SB 1233 changes standard statutory definitions, mandates disclosure and warning statements that are highly misleading and discriminatory against the alternative parts industry and portrays non-OEM crash parts as not being equivalent in like, kind, and quality to OEM parts.

When broadly interpreted, SB 1233 calls into question the reliability of non-OEM crash parts. The warning language is a disguised intimidation tactic to wrongfully persuade committee members and consumers into believing that alternative parts are unsafe or inferior to their more expensive OEM counterparts. LKQ firmly believes that consumers should have the right to know the type of parts that are being used to repair their vehicle. However, this information must be delivered to the consumer via factual, standardized, and corroborated statements instead of legislative language that deviates from other state statutes and creates a one-sided advantage to OEM parts.

LKQ opposes the underlying premise that only parts supplied by the OEMs are safe, reliable, and suitable to restore a vehicle to its

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Catalina Jelkh Pareja	<i>cont.</i>						28

pre-loss condition. Such premise denies the fact that automakers do not manufacture all of their own parts. Instead, OEM parts manufacturers supply parts for the automakers as well as aftermarket providers. These OEM parts are often manufactured in the same facility and assembly line, following identical specifications, but branded differently for the automaker and the aftermarket provider.

Proponents of this restrictive legislation make unfounded claims against the safety and performance of alternative parts but have failed time and time again to provide conclusive evidence that aftermarket parts have caused accident, injury or death. While proponents of this monopolistic legislation make false accusations discrediting the alternative parts industry, the OEMs continue to face a myriad of lawsuits and safety recalls due to the failure of their products which have indeed caused accident, injury and death. Just this week, an automaker issued a "Do not Drive" advisory to 50,000 car owners over potentially deadly and unsafe issues.

Motor vehicle recall information collected by the National Highway Traffic Safety Administration (NHTSA) reveals that the annual number of vehicles recalled due to safety concerns continues to increase. NHTSA reports that, in 2022, there were 932 vehicle safety recalls affecting more than 30.8 million vehicles in the United States. Meanwhile, NHTSA is not particularly concerned with the safety or performance of aftermarket crash parts as it has determined that aftermarket crash parts are cosmetic in nature and do not compromise motor vehicle safety. NHTSA states that the agency has the authority to order recalls of aftermarket crash parts, whether they are made by the OEM or by an independent parts manufacturer. However, they have not done so to date, because NHTSA has not discovered any information that has indicated that any particular aftermarket crash product contains a safety-related defect.

Similarly, the Institute for Highway Safety (IIHS) has examined the safety of aftermarket parts several times during the past 30 years, arriving to the conclusion that cosmetic parts do not alter crash test results. IIHS has stated that crash parts —whether aftermarket or OEM— are irrelevant to motor vehicle safety since these parts are not responsible for safeguarding occupants in a crash. Without scientific or real-world evidence to back their claims against alternative parts, this unsupported legislative proposal is perceived as restricting consumer choice, limiting competitive markets, and monopolistic in nature to control auto repair practices.

Regarding warranties, the Magnuson-Moss Warranty Act is a federal law that prohibits companies from invalidating warranties for the use of non-OEM parts. The Federal Trade Commission (FTC) approved a final consent order against automakers that allegedly violated the Magnuson-Moss Warranty Act by telling consumers that the car company would void their warranty unless they used OEM parts and

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Catalina Jelkh Pareja	<i>cont.</i>						28

OEM dealers to perform maintenance and repair work. These federal actions support the free use of alternative parts for motor vehicle service and maintenance.

LKQ leads the alternative auto parts industry with the strongest warranty protection for aftermarket, recycled, and remanufactured products. LKQ is committed to quality and backs recycled and aftermarket collision products with lifetime warranties. Precision manufacturing, third-party testing, validation and parts tracking support LKQ's goal of offering consumers parts that are equal in like, kind and quality to OEM parts. In addition, aftermarket products undergo a multitude of internal and third-party testing and certification safeguards. LKQ's Promise of Protection surpasses all other replacement part suppliers and continues to raise the bar in quality assurance.

According to the Bureau of Labor Statistics, the cost of motor vehicle parts is up 23.1% in January year-over-year. Parts shortage and supply chain disruptions continue to affect new car production and parts availability. Especially given the current economic conditions, your constituents would simply outcry the increasing repair and insurance expenses in addition to abnormally long wait times for servicing of their vehicles that would result due to the controlling nature of this bill's proposed language.

SB 1233 dismisses the many benefits that alternative parts provide to consumers. Alternative parts are a readily available and affordable solution, compared to overpriced and backordered new OEM parts, for Idaho families to be able to repair their vehicles in a prompt and safe manner. Alternative parts sell for between 26% to 50% less than comparable OEM parts, which allows insurance companies to contain collision repair costs and premiums. More importantly, alternative parts create competition which, in turn, forces car companies to drive down the cost of their new OEM parts. Greater competition, lower costs, and lower insurance premiums are all direct benefits from the free use of alternative parts.

SB 1233 would exacerbate the already stressful financial situation of families dealing with high fuel prices, inflation, and product

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backorders. This bill translates into a monopolistic government mandate that attempts to disrupt Idaho's auto repair industry. In any given industry, when a business sector is suppressed and competitive market forces are disrupted, a monopoly will undeniably result in higher prices and limited choices. Limiting options, raising auto repair costs and insurance premiums via unnecessary legislation will only hurt families in Idaho that are already under economic frustration and depend on their vehicles to get to work the most. When consumers need to repair their vehicles, it is often at a time of emotional and financial distress. There has been an accident, the vehicle has broken down, or an expensive part needs replacement to keep the vehicle functioning properly. For some consumers, these costs can be overwhelming. Your constituents will favor the possibility to continue to obtain safe, high-quality parts at competitive prices to repair their vehicles.

LKQ appreciates the opportunity to provide input and collaborate with members of the Committee and stakeholders to advance sound policy measures for the automotive industry. For the reasons listed above, we respectfully ask you to reject this proposal and please vote "NO" on SB 1233. Please STOP this legislation that limits consumer choice, targets the alternative parts industry and only benefits the car companies, their franchised dealers and repair networks.

Emil Nusbaum	S 1233	W	Automotive Recyclers Association	Burley	Against	N	27
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January 31, 2024

The Honorable Chair Senator Kevin Cook
 Senate Commerce & Human Resources Committee
 1184 E Lazy Lane
 Idaho Falls, ID 83404

Re: OPPOSE Senate Bill 1233, TRADE PRACTICES AND FRAUDS – Amends existing law to include additional automotive parts within the definition of aftermarket crash part" and to provide for a disclosure statement regarding safety and performance for non-OEM crash parts.

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Emil Nusbaum	<i>cont.</i>						27

Dear Chair Cook and members of the Committee,

The Automotive Recyclers Association (ARA) appreciates the opportunity to submit the following testimony in opposition to Senate Bill 1233 (SB 1233), which discriminates against the use of any motor vehicle repair part not sourced by the original equipment manufacturer of a motor vehicle. SB 1233 is contrary to the public interest as it seeks to modify existing law to restrict the use of recycled original equipment motor vehicle repair parts and aftermarket vehicle parts by requiring a disclosure document to be provided that includes a statement designed to dissuade a vehicle owner from using any repair part other than those sourced by a manufacturer. Should SB 1233 pass in its current form, not only will vehicle repairs become more costly but there will be a larger number of vehicles declared a total loss. Therefore, ARA requests that the Committee vote against SB 1233.

Since 1943, the Automotive Recyclers Association (ARA) has represented professional automotive recyclers, a vibrant and thriving part of the automotive supply chain. Professional automotive recycling facilities play an important role in the vehicle repair market by providing vehicle owners with affordable alternatives to the more expensive new original equipment manufacturer (OEM) replacement parts. Professional automotive recyclers provide vehicle owners with the ability to choose recycled automotive repair parts, ensuring competition in the replacement parts market and providing vehicle owners with the ability to repair their vehicles with OEM replacement parts. Every day, professional automotive recyclers supply Recycled Original Equipment (ROE) ® motor vehicle replacement parts to consumers around the world. In many cases, automotive recyclers are the only source for replacement vehicle parts.

Emil Nusbaum
 Vice President of Strategy, Government and Regulatory Affairs
 emil@a-r-a.org
 Automotive Recyclers Association (ARA)
 203-561-8274
 9113 Church Street, Manassas, VA 20110